

## Message Text

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ACTION AGRE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 2548

C O N F I D E N T I A L SECTION 01 OF 03 OTTAWA 00856

LIMDIS

AGRICULTURE HUME FOR SEC BERGLAND

E.O. 11652: GDS

TAGS: EAGR, PINR, CA

SUBJ: LANG/BERGLAND MEETING, FEBRUARY 25

1. AMBASSADOR ENDERS HAS REQUESTED EMBASSY COMMENT  
ON FOLLOWING ITEMS:

2. LANG BIODATA AND ASSESSMENT: OTTO EMIL LANG, BORN 1932,  
HANDEL, SASKATCHEWAN, OF GERMAN IMMIGRANT PARENTS. BA  
1951 AND LLB 1953 U OF SASK. RHODES SCHOLAR. BCL FROM  
OXFORD 1955. UNIVERSITY OF SASKATCHEWAN LAW FACULTY 1956-  
68; DEAN 1961-68. ELECTED PARLIAMENT 1968; RE-ELECTED  
1972. HAS HELD MINISTERIAL PORTFOLIOS SINCE 1968 INCLUD-  
ING INDUSTRY, TRADE AND COMMERCE; ENERGY, MINES AND  
RESOURCES; MANPOWER AND IMMIGRATION; JUSTICE AND MORE  
RECENTLY TRANSPORTATION. BECAME MINISTER RESPONSIBLE FOR  
CANADIAN WHEAT BOARD (CWB) IN 1969, A RESPONSIBILITY HE  
HAS HELD EVER SINCE. MINISTER LANG IS INTELLIGENT,  
METHODICAL AND CAPABLE. HE IS INCLINED TO HAVE A STUB-  
BORN STREAK AND IS RATHER HUMORLESS. HE HOLDS CONSERVA-  
TIVE VIEWS ON A NUMBER OF PUBLIC ISSUES INCLUDING FREEDOM  
OF INFORMATION.

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3. LANG/WHELAN RELATIONSHIP: IN THE CONSTELLATION OF  
GRAIN RELATED GOVERNMENTAL ACTIVITIES OTTO LANG HAS PRI-  
MARY RESPONSIBILITY FOR THE EXPORT ORIENTED CWB. MINISTER  
OF AGRICULTURE WHELAN IS RESPONSIBLE FOR THE BALANCE OF  
THE FABRIC WITHIN WHICH THE CWB OPERATES, NOTABLY: THE  
GRAIN COMMISSION, ROUGHLY ANALOGOUS TO THE FGIS: THE LIVE-

STOCK FEED BOARD, SUBSIDIZING THE TRANSPORT OF FEED GRAINS TO GRAIN DEFICIT LIVESTOCK PRODUCERS OUTSIDE THE CWB DESIGNATED AREA: WESTERN GRAIN STABILIZATION, PUTS A FLOOR UNDER GRAIN PRICES: FARM CREDIT: NATIONAL FARM PRODUCTS MARKETING COUNCIL. THEY HAVE JOINT RESPONSIBILITY FOR THE DOMESTIC LIVESTOCK FEED POLICY. THE LIAISON FUNCTIONS ARE COORDINATED THROUGH THE GRAINS COORDINATOR, A POSITION DESCRIBED IN PARA FIVE BELOW. MINAG WHELAN HAS STATED ON SEVERAL OCCASIONS THAT THE EXISTING SEPARATION MADE NO SENSE. THERE IS NO QUESTION THAT WHELAN DESIRES TO BE THE MINISTER RESPONSIBLE FOR ALL CANADIAN AGRICULTURE.

4. POWERS OF CWB; OLDEST AND MOST AUTONOMOUS OF CROWN CORPORATIONS, CWB ADMINISTERED BY FIVE COMMISSIONERS HEADED BY G.N. VOGEL. CWB HEADQUARTED IN LARGE CWB-OWNED BUILDING IN WINNIPEG. EMPLOYS ABOUT 500. CWB HAS EXCLUSIVE AUTHORITY FOR EXPORT MARKETING OF WHEAT, BARLEY AND OATS PRODUCED IN WESTERN CANADA AND EXCLUSIVE AUTHORITY ON IMPORTS OF THESE GRAINS INCLUDING PRODUCTS OF FIRST PROCESSING. OPERATIONS CONDUCTED IN AURA OF COMPLETE SECRECY. AS GENERAL PRACTICE CWB MAKES DIRECT SALES TO STATE TRADING COUNTRIES WITH FEW EXCEPTIONS SUCH AS JAPAN AND RELIES ON INTERNATIONAL GRAIN TRADERS FOR SALES TO WESTERN EUROPE AND OTHER MORE OPEN MARKETS. CWB NEVER REPEAT NEVER DISCLOSES PRICE OF ANY SPECIFIC SALES. CWB FINANCIAL DISCLOSURES ARE QUOTE GENERAL SUCH AS RESULTS OF POOLS. CWB PAYS DEMURRAGE ON VESSELS WHICH IS APPRECIABLE ON WEST COAST EXPORTS. EXAMPLES OF SECRECY:  
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A. IN 1976 ALBERTA BARLEY GROWERS ASKED CWB FOR AN ACCOUNTING OF 74-75 BARLEY WHICH CWB PAID GROWERS ON BASIS OF FEED BARLEY BUT SOLD AS MALTING BARLEY FOR HIGHER PRICES. CWB REFUSED PROVIDE ANY INFORMATION. GROWERS BROUGHT SUIT AGAINST CWB. THE COURT FOUND AND AGREED WITH LEGAL PRECEDENTS THAT A COURT CANNOT ENQUIRE INTO ANY CONSIDERATIONS WHICH MOTIVATE THE BOARD IN ANY OF ITS ACTIONS.

B. IN FALL OF 1976 AGATT REQUESTED TO CONTACT CWB REGARDING SALES OF WHEAT TO INTERNATIONAL TRADERS AT PRICES OF WHEAT TO INTERNATIONAL TRADERS AT PRICES 15 CENTS BELOW BOARD PRICES. VICE COMMISSIONER TOLD AGATT THAT HE RESENTED INTERFERENCE BY USG IN THE BOARD'S INTERNAL MATTERS.

5. CWB RELATION TO GOC: THE LINK BETWEEN THE MINISTER AND THE CWB CONSISTS OF A STAFF KNOWN AS THE GRAINS

GROUP, WHICH PHYSICALLY IS PART OF ITC, REPORTS DIRECTLY TO LANG, AND IS HEADED BY A GRAINS COORDINATOR, BILL MINER, WHO IS EMPLOYEE OF AGRICULTURE CANADA. GRAINS GROUP STAFF IS IN DAILY COMMUNICATION WITH CWB BUT ONLY ON RARE OCCASIONS WILL STAFF REVEAL ANYTHING SUBSTANTIVE REGARDING CWB OPERATIONS. LEGALLY, CWB IS RESPONSIBLE TO THEIR MINISTER AND ULTIMATELY TO PARLIAMENT. HOWEVER, ON SEVERAL OCCASIONS, MEMBERS OF PARLIAMENT HAVE ASKED MINISTER LANG SPECIFIC QUESTIONS ABOUT CWB ONLY TO RECEIVE

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VAGUE AND BRIEF ANSWERS. GOC'S SOLE DIRECT FUNCTION IS TO DETERMINE AND GUARANTEE THE INITIAL PRICE WHICH CWB IS TO ADVANCE TO GROWERS UPON DELIVERY OF GRAIN.

6. CAN LANG COMMIT CWB: IN THEORY YES. HOWEVER, IF COMMITMENT WOULD INVOLVE A DEPARTURE FROM ESTABLISHED CWB POLICIES AND PRACTICES, THIS WOULD INVOLVE A CONFRONTATION WHICH A MINISTER WOULD PROBABLY NOT CONSIDER EXCEPT IN THE CASE OF A NATIONAL EMERGENCY. THIS IS NOT TO SAY THAT THE MINISTER IS WITHOUT INFLUENCE. IN THE FALL OF 1973 THE CWB WAS WITHHOLDING WHEAT SALES AND U.S. WAS ONLY MARKET WITH ACCESS. USDA OFFICIALS BELIEVED CWB OBJECTIVE WAS TO FORCE USG TO EMBARGO AND/OR LICENSE EXPORTS. USG OFFICIALLY APPROACHED LANG WHO CONTENDED CWB WAS NOT INTENTIONALLY WITHHOLDING SALES AND THAT HE DID NOT INTERFERE IN OPERATIONAL MATTERS. WITHIN A FEW DAYS, CWB BEGAN OFFERING WHEAT FOR SALE. GOC OFFICIALS TODAY CONTEND USG WAS COMPLETELY OFF BASE IN THE 1973 ACCUSATIONS. IN 1974, EMBASSY WAS INSTRUCTED TO CONFER WITH MINISTER LANG IN AN ATTEMPT TO ASCERTAIN AMOUNT OF RECENT SALES TO USSR. LANG STATED HE DID NOT KNOW HOW MUCH WHEAT HAD BEEN SOLD AND THAT HE DID NOT INQUIRE INTO

SUCH MATTERS. TWO DAYS LATER CWB PUBLICLY RELEASED SIZE OF SALES CONTRACTS TO USSR.

7. WHEAT BOARD MINISTER VS MINISTER OF AGRICULTURE:  
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ONLY ONCE IN ITS 41-YEAR HISTORY HAS THE CWB BEEN RESPONSIBLE TO THE MINISTER OF AGRICULTURE, 1960 - 63. PRIOR TO 1960 AND FROM 1963-68 CWB WAS RESPONSIBLE TO INDUSTRY, TRADE AND COMMERCE. IT IS A POLITICAL FACT OF LIFE THAT THE WHEAT BOARD MINISTER BE FROM THE PRAIRIES. EVEN IN CASES WHEN MINAG WAS ALSO FROM PRAIRIES, THE RESPONSIBILITY HAS NOT BEEN TO THE AGRICULTURAL MINISTER. THE LIBERAL PARTY HAS ONLY THREE MP'S FROM THE PRAIRIES AND OTTO LANG IS THE ONLY LIBERAL MP FROM SASKATCHEWAN WHICH PRODUCES TWO-THIRDS OF CANADA'S WHEAT. WHELAN, A NATIVE OF SOUTHERN ONTARIO, IS SIMPLY FROM THE WRONG PART OF CANADA.

8. POLITICS OF GRAIN PRICING AND ATTITUDES IN THE PRAIRIES: CWB PRICE OBJECTIVE IS TO EXPORT AT HIGHEST POSSIBLE RETURN FOR CANADIAN FARMER. CWB ACQUIESCES TO LOWER PRICING FOR DOMESTIC FEED GRAINS. IN AGATT'S ASSESMENT CWB DOES NOT EXTEND MUCH EFFORT TO MAKE DOMESTIC FEED GRAINS PROGRAMS ACHIEVE THEIR OBJECTIVE. IN SALES TO CIDA FOR FOREIGN AID PURPOSES, CWB CHARGES GOC THE FULL BOARD PRICE. THERE IS ONLY ONE VOICE OF CRITICISM OF THE CWB IN ESTERN CANADA, THE PALLISER WHEAT GROWERS ASSN. SOME MEMBERS OF THIS INNOVATIVE GROUP HAVE BUILT THEIR OWN ONE MILLION BUSHEL INTERIOR TERMINAL ELEVATOR AT WEYBURN, SASKATCHEWAN WHERE GRAIN IS CLEANED AND SHIPPED OUT AT EXPORT GRADE. ELSEWHERE FARMER OPINIONS ARE INFLUENCED BY PROVINCIAL COOPERATIVE WHEAT POOLS WHO PUBLISH THE ONLY WEEKLY FARM PAPERS AVAILABLE. POOL LEADERS FULLY SUPPORT CWB AND CHASTISE ANY DISSIDENTS. THERE IS AN ELECTED ADVISORY COMMITTEE TO THE CWB. ONE MEMBER IS CURRENTLY ON A RAMPAGE FOR MORE DISCLOSURE BY THE CWB. HOWEVER, THERE IS A MOVEMENT TO REMOVE HIM FROM THE COMMITTEE BECAUSE HE IS CRITICAL OF THE BOARD'S SECRECY. MINISTER LANG'S TRANSPORTATION PORTFOLIO HAS CONFRONTED HIM WITH THE CROWS NEST PASS RAIL RATES WHICH IS A SACRED SUBJECT TO WESTERN GRAIN  
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GROWERS. HIS USER- PAY PHILOSOPHY HAS RAISED FEARS IN THE WEST THAT GRAIN RAIL RATES WOULD BE CHANGED. THIS

HAS NOT INCREASED HIS POPULARITY.

9. WHAT DOES MINISTER LANG HAVE TO TAKE INTO ACCOUNT WHEN TALKING TO SECRETARY BERGLAND ABOUT FOREBEARANCE IN WHEAT PRICING? LANG FINDS HIMSELF SECURE WITH THE CWB PRICING POLICY AND MECHANISM. IN DISCUSSING PRICE STABILITY AND MECHANISM. IN DISCUSSING PRICE STABILITY WITH HIS U.S. COUNTERPART HE WILL BE CURIOUS AS TO WHAT MECHANISMS THE USG CAN INSTALL TO MODIFY PRICES DETERMINED IN THE OPEN MARKET. HE IS WELL AWARE OF THE PRACTICES EMPLOYED WHEN THE U.S. HAD EXPORT SUBSIDIES, AND INVERSE SUBSIDIES, AT WHICH TIME THE CWB SET BOARD PRICES DAILY. MINISTER LANG AND BILL MINER WILL RECALL THE SHORT-LIVED IGA WITH ITS MINIMUM/MAXIMUM PRICES, WHICH THE USG WAS INSTRUMENTAL IN DISMANTLING MUCH TO CANADA'S DISPLEASURE. HOWEVER, GRAINS GROUP STAFF REPRESENTATIVE RECENTLY ADVISED AGATT THAT CANADA WAS NOT AS ENTHUSED ABOUT AN INTERNATIONAL AGREEMENT WITH PRICE RANGES AS THEY HAD BEEN. AGATT SUSPECTS CANADIAN GRAIN POLICY MAKERS SEE A MORE BULLISH SITUATION DOWN THE ROAD. SOIL MOISTURE IN THE PRAIRIES IS EXTREMELY LOW AND OUTLOOK AT THIS STAGE IS NOT GOOD. WHILE WHEAT SEEDING IS NOT EVEN CLOSE, AGATT BELIEVES THE BEST CANADA CAN HOPE FOR IS AN AVERAGE YIELD OF 25 BU/A. IF NEEDED MOISTURE COMES IN THE NEXT TWO MONTHS IT IS LIABLE TO DELAY SEEDING. OBVIOUSLY, CANADIAN OFFICIALS ARE AWARE OF THE GENERALLY DRY CONDI-

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TIONS THROUGHOUT THE U.S. GREAT PLAINS. AGATT ESTIMATES CANADIAN WHEAT CARRY-OUT ON JULY 31 AT 540-560 MILLION BUSHEL. THIS IS NEITHER LARGE NOR ALARMING BY HISTORICAL STANDARDS. AT THIS LEVEL, C/O BEEN LOWER THAN STOCKS WILL BE ABOUT ONE-HALF OF THE 69/70 LEVEL. IN

ONLY NINE OUT OF THE PAST 24 YEARS HAS THE WHEAT C/O BEEN  
LOWER THAN OUR ESTIMATE FOR 76/77 CARRY-OUT. THE  
C/O IN 74/75 AND 75/76 WAS SLIGHTLY LESS THAN 300 MILLION  
BU. WHICH CANADIAN GRAIN OFFICIALS CONSIDER DANGEROUSLY LOW.

10. MINISTER LANG MAY REEMPHASIZE CANADA'S DESIRE THAT  
THE U.S. SUPPORT CHIEF CWB COMMISSIONER VOGEL FOR WFP  
POST. DUEMLING

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## Message Attributes

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